

**Statement of
U.S. Representative William J. Jefferson
on
Legislative Efforts to Revive and Rebuild New Orleans

Before the House Transportation Committee
Subcommittee on Water Resources and Environment
And
Subcommittee on Economic Development, Public Buildings, and
Emergency Management**

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I would first like to thank the Chairs and Ranking Members of the Subcommittees represented here today for allowing me the opportunity to appear before you to give testimony on Congressional efforts to revive and rebuild New Orleans in the wake of Hurricanes Katrina and Rita.

I need not spend much time cataloguing the devastation that we have experienced as a result of Hurricanes Katrina and Rita and the consequent flooding of huge portions of southeastern Louisiana. As we have all seen, these terrible storms were indiscriminate in the destruction they wrought—leaving behind unprecedented amounts of property damage, human casualties and economic losses.

It is estimated that nearly 228,000 occupied housing units, representing more than 45 percent of the total housing stock in the metropolitan New Orleans area, were flooded. This total included 120,000 owner-occupied units and 108,000 units occupied by renters, representing 39 and 56 percent of those respective stocks.

Moreover, New Orleans and a number of surrounding towns have been virtually shuttered for almost six weeks—decimating the revenue base and forcing

dramatic reductions in the labor force just at a time when those workers are desperately needed to assist in the recovery efforts.

A further effect of the storms was the disproportionately adverse impact on the state's most vulnerable and poor citizens. Thirty-eight of the metropolitan area's forty-nine extreme poverty census tracts were flooded. All thirty-eight of the flooded poverty tracts were in the city of New Orleans.

Sadly, these tragic effects were not inevitable. They represent an unfortunate intersection of weather and water with a socioeconomic geography that had evolved over decades. Accordingly, as we confront the future, our goal should not be merely recovery but transformation—a socioeconomic revolution that leaves the region not just like it was, but better. Those impacted by the storms deserve no less. The limited federal resources we can garner to meet New Orleans' needs must target quality outcomes, relying on existing, proven tools that meet the scale of the task.

To that end, we should focus on four principal goals. First, we must create a region that is survivable for the long term against storms that are ever more frequent and ferocious each year. Second, we must commit to turning the region into an example of high-quality, sustainable development. Third, we must replace neighborhoods of concentrated poverty with neighborhoods of choice and connection. Finally, we must transform the region from a low-wage economy to one of a higher skilled workforce commanding among the highest salaries in our region.

Without question, these are daunting goals. This is clear: Reconstructing New Orleans and southern Louisiana in a proper way is going to require a

sustained, serious, and, even visionary concentration over many years from the grassroots level to Capitol Hill, but I am confident that the will exists both among my colleagues in Congress and among my fellow Louisianans to achieve them all.

With this firm commitment, we can rebuild those areas shattered by the hurricanes in a way that makes them more survivable, more sustainable, more inclusive and more competitive in the global economy than they were before the storms.

To enhance survivability, the Army Corps of Engineers recently testified before Congress that it could build a levee system to withstand a Category 3 hurricane by next June, at a cost of \$1.6 billion, and to protect New Orleans against a Category 5 hurricane over 8 to 10 years at a cost of another \$5 billion or so.

However, it is not enough merely to rely entirely on an engineering-oriented, seawall- and levee-oriented approach to flood protection. If Hurricane Katrina taught New Orleanians anything, it is that attempting to dominate nature solely with structural barriers is insufficient to say the least. Moreover, given the time required to enhance those barriers to protect against a Category 5 storm, as we rebuild in the interim, we must ensure that survivability and sustainability remain at the fore of any decision-making.

As we move forward, we must plan where and how to rebuild scientifically, systematically and democratically. State and local government

should call upon leading environmental, engineering and urban design experts to provide guidance both to government and to the citizens of New Orleans as to the best path forward. Planning in a systematic, transparent and objective way with an open and honest discussion of the costs and benefits of each approach will ensure that the city has a solid foundation on which to rebuild. Sound land use and world-class urban design are among the keys to a better future for my constituents.

Of course, while these are laudable first principles, we must confront perhaps the most extraordinary urban housing crisis our country has ever witnessed. We must move forward aggressively and creatively to resettle those displaced by the deluge in safe, comfortable homes in economically integrated neighborhoods — or, as a recent Brookings Institution report describes them, neighborhoods of choice and connection.

The images that pervaded media coverage in the days after Hurricane Katrina struck New Orleans exposed what President Bush has described as a “deep, persistent poverty.” As we move forward with the rebuilding of New Orleans, therefore, we must replace neighborhoods of extreme poverty with neighborhoods of choice and connection.

The Brookings Institution report I referenced describes *neighborhoods of choice* as “desirable communities that families of all income levels seek out for their quality, distinctiveness, sociability, location and amenities.” These

neighborhoods are most importantly economically integrated — or, mixed-income neighborhoods.

The same report defines *neighborhoods of connection* as those “that link families to opportunity rather than isolate their residents. These neighborhoods offer their residents good schools and timely services [and] . . . provide their citizens easy access to nearby or distant job markets, as well as connection to the mainstream life of the region.”

Shortly after Katrina hit, the American Institute of Architects reached out to me and others in government to offer their expertise in planning and helping to develop just such neighborhoods in a renewed New Orleans.

Such neighborhoods may represent the best hope to solve many of the city’s urban dilemmas. They reject the concentrated poverty, residential segregation and economic isolation that characterized too much of the city. They also represent a vision of a city rich in economically integrated neighborhoods attractive to all classes of people, with schools on a path to excellence, traversed by a notably better public transportation system, and tightly linked to greater economic opportunity.

So, obviously, the question becomes how to convert this vision into reality. That is, of course, why we’re all here today. This Committee will play an essential role in this rebuilding process. This Committee holds the charge of ensuring that New Orleans is able to access all of the federal tools and resources necessary for it to build a first class infrastructure as it is rebuilt. Be it flood and

hurricane protection, transportation, port system, roads or rail, New Orleans will need to implement a comprehensive plan to ensure that and your Committees support will be key to those efforts.

Since Congress returned from its August work period to confront the effects of Hurricane Katrina and now Rita, we have made significant progress. While Congress cannot write the individual recovery plan for each city and parish in our state, but it can—and must—create a box of tools that gives our state and local governments the authorities they need to make and carry out local plans for recovery. Congress has begun that weighty task.

First, we have passed the largest disaster recovery appropriations package in our nation's history—already committing direct spending of more than \$60 billion to the recovery and reconstruction efforts. As of the end of last week, \$21.7 billion of that amount has been obligated or spent, leaving around \$38 billion still unobligated. Those FEMA dollars can be used for a wide range of purposes, including replacement and rehabilitation of infrastructure, water and sewage systems, fire and police stations, public hospitals and clinics, and schools; housing assistance; loans to state and local governments to operating expenses; and certain health care expenses. We have also passed several pieces of legislation providing individual tax relief, enhancing housing programs in an effort to meet the needs of the displaced, reforming education formulas and programs to ensure continuity of study for the tens of thousands of students ejected from the region by the storms, and expanding health care access for our neighbors, families and friends.

For individuals, we passed, and I was pleased to handle on the floor, the Hurricane Katrina Emergency Tax Relief Act, which the President signed into law and which begins to address the unique problems confronted by our state's most disadvantaged families. This legislation preserves tax benefits for impacted residents and it ensures that the victims of Hurricanes Katrina and Rita are able to count fully the losses they have suffered in the aftermath of the hurricanes. Finally, the law exempts the value of forgiven mortgages and other debt from taxable income. These two very important provisions demonstrate compassion by prohibiting the IRS from further burdening these families when, for many, they're at the lowest points in their lives.

There can be no question that the recovery, reconstruction and revival of the devastated areas of our state will require an unprecedented federal commitment. The new law takes two other important steps toward that recovery.

It expands the availability of low-interest mortgages for the building and purchasing of homes in the affected areas. We all understand that the most solid foundation for the economic security of our nation's families is homeownership. By lifting some of the restrictions on the use of mortgage revenue bonds, this bill will help to build a solid economic foundation for the families whose lives have been turned upside down by Hurricanes Katrina and Rita. Just last week, we witnessed the effects of this change in law when Freddie Mac committed to buy at least \$1 billion in mortgage revenue bonds to greatly expand the availability of below-market loans throughout the Gulf Opportunity Zone, the GO Zone.

In addition, the Katrina Emergency Tax Relief Act also provides targeted incentives for returning businesses and new businesses to employ the thousands

of hard working Americans who have been displaced or lost jobs to Hurricane Katrina, and now Rita, through work opportunity tax credits. By encouraging businesses to hire workers from the affected areas, the new law takes another very important step toward our uniform goal of rebuilding and resettling New Orleans and other areas tragically struck by the hurricanes.

While the new law we have passed moves the ball forward, we are still far from reaching our ultimate goal. With that in mind, I continue to work daily with my colleagues from the Louisiana delegation and key Congressional Committees on additional legislation that will make important inroads toward reviving the businesses in our state and, equally important, restoring the fiscal integrity of the state and the most affected parishes with significant municipal finance relief. This relief will be designed to allow the maximum flexibility for infrastructure and operating expenses, for local match purposes from levees to Medicaid to FEMA requirements, among others.

Among the most important proposals that we have been working to enact are three that will significantly improve the financial outlook for the state. First, we would provide an additional opportunity for bond issuers to refund their debt obligations. In so doing, we permit the issuers to reduce their immediate debt service requirements, thereby freeing up resources to address other critically important needs. Second, we hope to enact a proposal allowing the issuance of federally guaranteed bonds to fund much of the recovery effort and to make up for the loss of tax base during the recovery period. While it is likely that these bonds would not be tax-exempt, at least for a few years, they will be extremely marketable despite the blows Hurricanes Katrina and Rita struck to our region's

credit. In addition, the interest payments on these bonds would be made through federal tax credits, thereby reducing the debt requirements of the city and enhancing the bonds' marketability to investors. It is expected that these bonds have the potential to provide tremendous infusions of necessary capital without unduly compromising the region's fiscal outlook over the long term.

In addition to the tax credit bond proposal, I also expect that a significant volume—perhaps as much as \$7-8 billion for Louisiana alone—of tax-exempt private activity bonds will also be made available to provide significant flexibility in attracting the public and private capital that will be critical to the reconstruction and recovery of our cities and state.

To address the dire housing shortage facing the city and state, I expect that our relief package will include a significant increase in the volume of affordable housing tax credits available for use in Louisiana. Moreover, I also expect that we will finally enact a proposal that I have strongly advocated for two years and that will significantly enhance the historic rehabilitation tax credit program, which will be particularly useful in New Orleans—one of the nation's most historic cities. In addition, Congress will likely create a trust fund to finance affordable housing and other housing initiatives for low to moderate income families, which would be funded by taking five percent of the net profits of Freddie Mac and Fannie Mae; while that program is designed to be national in scope, many of my colleagues in Congress agree that the resources of that trust fund should be targeted to the housing crisis in the GO Zone during the first one to two years of the program. Combined with increased federal Community Development Block

Grant and HOME funds, these enhancements and the trust fund will provide a much needed jumpstart to meeting our state's unprecedented housing demands.

To help Louisiana businesses get back on their feet, I expect the enactment of a series of proposals that will make the city and surrounding parishes very attractive points of investment. Among other things, I anticipate the expansion of accelerated depreciation within the GO Zone to include leasehold improvements. This will be tremendously beneficial to a large portion of the small businesses that make Louisiana home. In addition, the ability of businesses to expense, that is, immediately write down, their investments as they rehabilitate and reopen their businesses will be significantly expanded, which will also serve to free up much needed operating capital. Finally, in order to permit businesses to monetize their tax attributes, business owners will likely be able to carry back their net operating and casualty losses several more years than is permitted under current law. Consequently, by allowing businesses to reach back further with their losses, they can in effect realize immediate infusions of cash to help them restart their businesses or, in the alternative, they can reduce their tax liability in future years as the needs and circumstances of their businesses dictate.

With the enactment of these proposals, Louisiana will have economic advantages that other parts of the country will not. These changes to the tax code will enable the City of New Orleans, the State of Louisiana and their residents to leverage a few tax preferences to energize an economy hit hard by Hurricanes Katrina and Rita. Moreover, the enactment of these changes will move us along toward achieving the four major goals I laid out at the beginning of my testimony.

Virtually all of these proposals will be taken up by the Committee on Ways and Means in the next few weeks, and I will have the pleasure of shepherding them through the House along with my fellow Louisianan and Ways and Means Committee member, Congressman Jim McCrery. We have had great success working on a bi-partisan basis, and I applaud him for the great commitment he has shown to southern Louisiana's recovery.

The reality remains that the devastation wrought by Hurricanes Katrina and Rita represents at once a terrible challenge and a tremendous opportunity. Our commitment must be that those who have suffered so much have not done so in vain. Tasked by a great and serious obligation, the nation has the opportunity to help a great but shattered community rebuild not just to recover but to become more survivable, more sustainable, more equitable and more prosperous all at once.

I look forward to working hand in hand with your Committee to achieve these daunting but fully attainable goals.

Thank you.